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YELLOW CAB COOPERATIVE, INC.
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8 UNITED STATES BANKRUPTCY COURT
9 NORTHERN DISTRICT OF CALIFORNIA
10 SAN FRANCISCO DIVISION
11

12 In re

Case No. 16-30063

13 YELLOW CAB COOPERATIVE, INC.,¹

Chapter 11

14 Debtor.
15
16

17 **DECLARATION OF PAMELA MARTINEZ IN SUPPORT OF FIRST DAY MOTIONS**
18

19 I, Pamela Martinez, hereby declare as follows:

20 1. I am the President of Yellow Cab Cooperative, Inc., the debtor in possession
21 (“Yellow Cab” or the “Debtor”) in the above-captioned Chapter 11 case (the “Chapter 11 Case”).

22 I submit this declaration (the “Declaration”) in support of the Debtor's Voluntary Petition and
23 “first day” motions, which are described further below (collectively, the “First Day Motions”).

24 Except as otherwise indicated, all statements in this Declaration are based upon my personal
25 knowledge, my review of the Debtor’s books and records, relevant documents and other
26 information prepared or collected by the Debtor’s employees and consultants at my direction, or

27 ¹ The last four digits of the Debtor's tax identification number are 7102. The location of the Debtor's headquarters
28 and service address is 1200 Mississippi Street, San Francisco, CA 94107.

PAM MARTINEZ DECLARATION ISO
DEBTOR’S FIRST DAY MOTIONS

1 my opinion based on my experience with the Debtor's operations and financial condition. and am
2 competent to testify as to the matters set forth herein. In making my statements based on my
3 review of the Debtor's books and records, relevant documents and other information prepared or
4 collected by the Debtor's employees and consultants, I have relied upon these employees and
5 consultants accurately recording, preparing, or collecting any such documentation and
6 information. I am authorized to submit this Declaration on behalf of the Debtor.

7 2. This Declaration describes the Debtor's business and the developments that led to
8 its filing for relief under chapter 11 of the Bankruptcy Code, and sets forth the relevant facts
9 supporting certain of the First Day Motions filed concurrently herewith and incorporates by
10 reference the facts of the other First Day Motions.

11 **I. THE DEBTOR'S BUSINESS AND**
12 **EVENTS LEADING TO BANKRUPTCY FILING**

13 **A. Overview of the Debtor's Business**

14 3. Yellow Cab provides taxicab transportation services in the San Francisco,
15 California area. In San Francisco, taxicab "color schemes" are licensed by the County of San
16 Francisco to provide services to taxi medallion owners, which color schemes and medallion
17 holders operate in a highly regulated environment. Yellow Cab is a non-profit cooperative service
18 company (a structure further explained below) that provides an operating base for approximately
19 522 San Francisco taxi medallions (or permits), operating on a cooperative basis. Yellow Cab
20 supports approximately 1,100 medallion owners and lessee drivers in their individual taxi
21 operations, and separately employs approximately 90 persons to provide those support services.
22 Yellow Cab currently supports approximately one-third of the total medallions operating in San
23 Francisco. All material assets used in its business operations are either leased or subject to
24 secured debt that equals or exceeds the value of those assets.

25 4. Yellow Cab is a "consumer cooperative," formed under California Corporations
26 Code ("CorpC"), Sections 12200 *et. seq.* Outside of the agriculture world, housing cooperatives,
27 and purchasing cooperatives (e.g., REI), I understand that a cooperative is a relatively rare
28 corporate structure—and an active support operating cooperative such as Yellow Cab is

1 extremely rare even among cooperatives as a whole.²

2 5. Yellow Cab was structured as a cooperative, because cooperatives are a
3 fundamentally different type of company than the usual “for profit” corporation governed under
4 the General Corporation Law of Division 1 of the Corporations Code (CorpC §§ 100 *et seq.*) and
5 is a structure uniquely suited for Yellow Cab’s purposes and goals of providing service and
6 support to the medallion owners operating under the Yellow Cab color scheme. Fundamentally—
7 unlike general for-profit corporations—by definition cooperatives do not exist for the profit
8 motive of either the corporation or members, as such, but exist for the benefit of its members in
9 their underlying personal or business contexts separate from the cooperative, where the
10 cooperative’s “earnings...or benefits shall be used for the general welfare of the members
11 or...proportionally and equitably distributed to some or all of its members or its patrons, based on
12 their patronage” (CorpC § 12201), rather than based on their share ownership interests. Yellow
13 Cab operates based on the underlying premise applicable to operating cooperatives that the
14 patronage distributions are not distributions of corporate “profits”—as would be the case with
15 “for profit” corporations—but are simply a return to the patrons of “their money” as collected by
16 the cooperative on their behalf in providing the cooperative’s support services.

17 **B. Yellow Cab Services and Operations**

18 6. Fundamentally, Yellow Cab is a non-profit service entity, which exists solely for
19 the purpose of facilitating the joint operation of taxicab permits issued by the County of San
20 Francisco, both those owned by Yellow Cab members and contracting non-member patrons and
21 affiliates. Among other things, services provided by Yellow Cab include: management;
22 accounting; uniform color scheme and dress; centralized order taking and dispatch for potential
23 passengers; credit card processing; vehicle dispatch into service for drivers; arrangement of lessee
24 drivers for shifts not driven by medallion owners; vehicle acquisition and maintenance; providing
25 taxi meters; backup vehicles for use when the primary medallion vehicle is inoperable; lost and
26 found depository; centralized parking (required by San Francisco); and regulatory compliance.

27 ² Because of Yellow Cab’s uniqueness, on formation a tax ruling was sought, and the Internal Revenue Service has
28 reviewed and approved Yellow Cab as a cooperative for tax purposes, issuing a private letter ruling confirming
Yellow Cab’s cooperative tax treatment under Subchapter T of the Internal Revenue Code.

1 7. Yellow Cab has four relationships with medallion owners, two of which are on a
2 direct patronage basis, one on an indirect patronage basis, and one on a contract service basis.
3 There are currently approximately 522 medallions operating under the Yellow Cab color scheme,
4 although this figure is subject to ongoing fluctuation. The majority of permit holders operating
5 under the Yellow Cab color scheme are “members” (also referred to as “owners”).
6 Approximately 281 medallions are held by members, and economically are on a direct patronage
7 basis. Yellow Cab also services non-member medallions operated on a direct patronage basis,
8 which medallion holders are called “full associates”, of which there are approximately 27. The
9 only difference between members and full associates is that the latter are not formally admitted as
10 members and cannot vote on cooperative matters; economically they are identical. Yellow Cab
11 also has approximately 76 medallions from “associates”. Associates operate on an indirect
12 patronage basis, and lease their medallions to Yellow Cab for a fixed lease amount. The lease
13 rental rate varies over time, and is adjusted based on Yellow Cab’s cost of operations. Yellow
14 Cab has full responsibility for all operational aspects and costs of the medallions operated under
15 the member, full associate, and associate contexts. Finally, there are 138 “affiliates”, who simply
16 pay a fee to operate under Yellow Cab’s colors; essentially Yellow Cab provides dispatch
17 services and the affiliate operates under Yellow Cab’s color scheme, but otherwise the affiliate is
18 responsible for all underlying operating costs and needs.

19 8. All medallion holders, regardless of type of Yellow Cab relationship, have priority
20 rights to drive their own medallions. Patronage drivers (members and full associates) are charged
21 a “shift charge” for each shift driven, which charge represents an attempt by Yellow Cab to
22 determine, and pass through, the particular costs of operating a taxi for that shift. Associates are
23 paid the lease rental, but then are charged the full shift charge (referred to as “gates”, which is the
24 same amount paid by a lessee driver) for shifts driven. In light of the fact that a medallion holder
25 can only drive so many hours (physically and by law), a component of the service provided by
26 Yellow Cab is to fill all of the drivable shifts that are not otherwise being driven by the medallion
27 owners, with lessee drivers. Lessees pay “gates,” which are a fixed-dollar-per-shift amount that is
28 set by the County of San Francisco (although companies can charge less).

1 9. Regardless of the label of the Yellow Cab-medallion owner relationship, the
2 underlying intent is to operate on a cost pass-through or allocated basis. Pursuant to its
3 cooperative structure, Yellow Cab provides a mechanism for medallion owners to operate on a
4 group basis in order to obtain the benefits of common management, common operations, and
5 operation scale. However, unlike an ordinary corporation, Yellow Cab's basic economic goal is
6 to operate on a nonprofit basis. The reasons for this including the following:

7 a. As a cooperative, net revenues (*i.e.*, . revenues derived from member patronage
8 less expenses), are required to be distributed to its members as "patronage distributions" (aka
9 "patronage dividends"), so that no "profit" is retained by Yellow Cab.

10 b. By law, taxi medallions are generally not transferable. In order to become a
11 member the person must own a medallion, and in order to continue to share in patronage
12 dividends, a member must continue to have a medallion being operated by the company. On death
13 of a member, the member's medallion is canceled by the City of San Francisco, and the related
14 Yellow Cab membership interest becomes "orphaned" without a medallion, and thereafter does
15 not share in any patronage dividends. Thus, unlike as with shares in a for-profit corporation, any
16 successor-in-interest to a Yellow Cab membership interest has no continuing claim to any
17 patronage dividends.

18 c. Because there is no effective residual value obtainable from ownership of a
19 membership interest, members accordingly have no economic incentive in the cooperative
20 "building equity," such as through retention and reinvestment of earnings, nor is doing so feasible
21 in view of current net revenues being distributed to members holding medallions as patronage
22 dividends. In fact, any "equity" retained in the company (by non-distribution of the patronage
23 earnings to medallion holders) would be effectively lost by the individual member at the time a
24 medallion is moved out of the company (whether because of death or because the owner decides
25 to change the place of operation of his medallion), as there is no market for membership interests,
26 so, as a practical matter, the membership interest, and any underlying "equity" value, is
27 essentially abandoned.

28 10. Importantly, there is no contractual or other restriction that limits a medallion

holder (whether member or otherwise) from changing “color scheme”--i.e., moving a medallion’s base of taxi operations to a different company, and all medallions serviced by Yellow are free to leave Yellow and go elsewhere at any time, subject only to a minimal amount of time necessary for obtaining approval of the County of San Francisco. Most medallion holders drive their own medallions (as required under San Francisco ordinance), and medallion holders regularly change color scheme. For example, if medallion holders do not receive effective support for their own taxi-driving operations, and patronage returns from off-shift operations of their taxi medallion (whether as a patronage dividend or lease rental payment), they will move their medallions to maximize such support and returns. If a critical mass of Yellow-operated permits change color scheme because of lack of reasonable patronage dividends or lease rental returns, then Yellow risks being unable to support its fixed overhead and other expenses.

C. Events Leading to the Chapter 11 Filing

11. In earlier days of its operation, Yellow Cab had material non-patronage income, the principal source of which was that it directly owned 25 corporate taxi permits for which Yellow Cab itself was the only “patron.” Because of this large non-patronage income, Yellow Cab was able to build material equity in those early days. A byproduct of this economic strength was that Yellow Cab qualified for self-insurance under applicable California Vehicle Code statutes and Department of Motor Vehicle (“DMV”) regulations. On a short term basis, the ability to self-insure resulted in lower operating costs. However, self-insurance exposed Yellow Cab to risks of catastrophic losses, which ultimately occurred, as discussed below. During this early time period, Yellow Cab had essentially no debt, and was able to purchase its vehicles with cash.

12. Yellow Cab subsequently lost its corporate medallions (which were canceled by San Francisco County as a result of regulatory changes). This resulted in the loss of the associated income, and ultimately lead to Yellow Cab needing to incur debt to operate its business, including acquiring all vehicles through debt financing, and Yellow Cab was forced to use its accumulated equity to pay tort claims (in view of its self-insured status).

13. In 2006, Yellow Cab was required to pay \$14,500,000 in a single loss as a result of

1 a major injury accident claim (in addition to the large number of smaller losses that occur every
2 year). While a small portion of this obligation was covered by separate insurance of the driver,
3 since Yellow Cab was self-insured, it directly paid the vast bulk of the claim, using funds
4 borrowed from First Republic Bank (“FRB”) by pledging a security interest in its then major
5 unencumbered asset--the real property where it conducted its operations, located at 1200
6 Mississippi Street, San Francisco (the “Mississippi Street Property”).³

7 14. Even after the 2006 payment, Yellow Cab continued to qualify for self-insurance.
8 However, by 2015, the combination of continued uninsured losses and increasing cumulative tort
9 payment obligations, and the struggles arising from dramatic change of the operating environment
10 and loss of drivers (and thus revenue) caused by competition from ride-sharing services (such as
11 Uber and Lyft), drained Yellow Cab’s remaining equity. In early 2015, with Yellow Cab’s book
12 value essentially wiped out, the DMV revoked Yellow Cab’s self-insurance certificate, as it
13 lacked the required minimum book value to qualify for self-insurance. Yellow Cab subsequently
14 obtained commercial insurance, at a current cost of more than \$500,000 monthly.

15 15. While Yellow Cab has the ability to continue its service functions for its patrons as
16 a cooperative, and to meet its operating liabilities, including its commercial liability coverage,
17 there are material tort liabilities, and tort liability exposure, that were incurred and arose during
18 the period in which Yellow Cab was self-insured, for which it lacks the resources to pay. These
19 include: (i) payments aggregating approximately \$1.3 million with respect to settlements of
20 prior tort claims; (ii) two judgments totaling approximately \$9 million entered against Yellow
21 Cab in the fourth quarter of 2015 (by plaintiff *Fua* in amount of \$8.1 million plus accrued
22 interest, and plaintiff *Oliverio*, in the amount of \$861,250 plus accrued interest); (iii) some 150
23 open claims aggregating approximately \$10 million.

24 16. Accordingly, Yellow Cab commenced this Chapter 11 Case in an attempt to
25 restructure its (primarily tort-related) debts, particularly in view of the judgment enforcement
26 efforts undertaken or threatened by tort creditors. *E.g.*, in the face of judgment creditor *Fua*’s

27 ³ Pursuant to a 2007 transaction, the Mississippi Street Property was transferred to Taxi Property Company, LLC
28 (“TPC”), which assumed the related debt obligation owed to FRB plus agreed to pay Yellow Cab an additional
\$3,000,000, with Yellow Cab leasing the Mississippi Street Property from TPC.

1 enforcement efforts, the San Francisco Superior Court stayed enforcement of her \$8.1 million
2 judgment until January 25, 2016; judgment creditor Oliverio obtained an abstract of judgment in
3 the amount of \$861,250 against Yellow Cab on November 19, 2015; judgment creditor *Sumi Lim*
4 obtained an Abstract of Judgment on January 8, 2016 in the amount of \$527,215 for purposes of
5 lien recording based on Yellow Cab's cessation of payments pursuant to the parties' settlement.

6 **II. FIRST DAY MOTIONS**

7 **A. INTRODUCTION**

8 17. In order to enable the Debtor to minimize the adverse effects of the
9 commencement of this case, the Debtor has requested various types of relief in the First Day
10 Motions.

11 18. I have reviewed each of these First Day Motions (including the exhibits thereto),
12 and I incorporate by reference the factual statements set forth in the First Day Motions.⁴ The
13 facts stated therein are true and correct to the best of my knowledge, information and belief, and I
14 believe that the type of relief sought in each of the First Day Motions is: (a) necessary to enable
15 the Debtor to operate under Chapter 11 with minimal disruption to its current business operations;
16 and (b) essential to maximizing the value of the Debtor's assets for the benefit of its estate and
17 creditors.

18 19. It is my further belief that, with respect to those First Day Motions requesting the
19 authority to pay prepetition claims or to continue selected prepetition programs (*e.g.*, those First
20 Day Motions seeking relief related to the Debtor's obligations to its employees, independent
21 contractors, passengers, creditors and certain taxing authorities), the relief requested is essential to
22 the Debtor's efforts to preserve and maximize value in this cases and avoid immediate and
23 irreparable harm to the Debtor and its estate.

24 20. I believe that any denial or diminution in the relief requested in the First Day Motions
25 could have an immediate and irreparably harmful impact upon the going concern value of the
26 estate, to the detriment of all of the Debtor's stakeholder constituencies. The Debtor believes that
27 payment of the prepetition claims identified in the First Day Motions will forestall such

28 ⁴ Capitalized terms not defined herein shall have the meaning ascribed to them in the First Day Motions.

1 irreparable harm and that all the Debtor's creditors will ultimately benefit from the relief
2 requested therein.

3 **B. MOTION TO APPROVE STIPULATION WITH FIRST REPUBLIC BANK**
4 **FOR USE OF CASH COLLATERAL AND PROVIDING ADEQUATE**
5 **PROTECTION PURSUANT TO STIPULATION**

6 21. First Republic Bank ("FRB" or "Lender") is the Debtor's primary secured creditor,
7 pursuant to an August 31, 2012 Loan Agreement between the parties. As of the Petition Date, the
8 principal balance owed by the Debtor under the Loan Agreement is approximately \$93,863.83,
9 with interest accruing at 5.25% per annum, which loan matures on May 31, 2016. Pursuant to the
10 Loan Agreement and related documents (collectively, the "Loan Documents") (copies attached as
11 Exhibit 1 to First Day Motion re Cash Collateral), FRB has a perfected first-priority security
12 interest in virtually all of the Debtor's assets, including its "cash collateral" as such term is defined
13 in Bankruptcy Code Section 363.

14 22. The Debtor has entered into the Stipulation for Use of Cash Collateral (the
15 "Stipulation") with FRB (copy attached as Exhibit 2 to First Day Motion re Cash Collateral),
16 subject to Court approval, to permit the Debtor to use cash collateral in the ordinary course of
17 business during this Chapter 11 Case, subject to the operating budget and cash flow forecast (the
18 "Budget") attached as Exhibit "A" thereto, and other specified requirements.⁵ Pursuant to the
19 related First Day Motion, the Debtor seeks approval of the Stipulation and authority to use cash
20 collateral pursuant to Bankruptcy Code Section 363(c) and the related adequate protection to be
21 provided to FRB.

22 23. Pursuant to the Stipulation, cash collateral is to be used in the ordinary course for
23 operations of the business of the Debtor, so long as monthly adequate protection payments (as
24 specified below) are made to Lender. Use of cash collateral may continue until the earlier of: the
25 effective date of a Chapter 11 plan of reorganization confirmed in the Case, the dismissal of the
26 Case or conversion of the Case to Chapter 7 of the Bankruptcy Code.

27 24. The Stipulation provides for the Lender to receive monthly adequate protection

28 ⁵ The Stipulation allows for slight deviations in the Budget, as long as expenditures do not exceed 115% of the
budgeted amount on a line item basis, or 110% on an aggregate basis.

1 payments equal to the regular debt service payments owed by the Debtor under the Loan
2 Documents in the amount of approximately \$28,500 per month, along with payment of certain fees
3 and expenses, and a replacement lien on Collateral to the extent of diminution in value of
4 prepetition Collateral, with a back-up super-priority claim pursuant to Bankruptcy Code Sections
5 503(b) & 507(b) as measured by a decline in the value of Lender's Collateral as of the Petition
6 Date. The replacement lien attaches only to the collateral of the kind and character to which
7 Lender's liens would have attached pre-petition (and not to claims or causes of action possessed by
8 Debtor's bankruptcy estate under Sections 506(c), 544, 545, 547, 548, 549, 553(b), or 723 and 724
9 or the proceeds therefrom), and is subordinate to Carve-Out Expenses (including the compensation
10 and expenses (excluding professional fees), of any subsequently-appointed trustee in the
11 bankruptcy case, and certain unpaid professional fees and disbursements incurred by the Debtor
12 and the Committee).

13 C. **MOTION TO: (I) CONTINUE PRE-PETITION CASH MANAGEMENT**
14 **SYSTEMS; (II) MAINTAIN CREDIT CARD MERCHANT PAYMENT**
SYSTEM; AND (III) MAINTAIN BUSINESS FORMS

15 **The Cash Management System**

16 25. In the ordinary course of business, the Debtor maintains an integrated cash-
17 management system that provides well-established processes for the collection, concentration,
18 management, monitoring, and disbursement of funds generated and used in its operations (the
19 "Cash Management System").

20 26. The Cash Management System enables the Debtor to effectively manage and
21 monitor the inflow of receipts from (independent contractor) drivers and various other sources,
22 and the outflow of disbursements to drivers, creditors and others. The Debtor relies on a third
23 party provider, Yellow Card Services ("YCS"), to process credit and debit card payments and
24 remit to drivers within 24 hours the net receipts collected on their behalf after deducting related
25 processing expenses. I am informed and believe that it is critical that the Cash Management
26 System remains intact to ensure seamless passenger experiences and continued collection of
27 revenues for the Debtor's estate.
28

1 27. The Cash Management System consists of seven bank accounts (collectively, the
2 “Bank Accounts”) maintained with First Republic Bank (“FRB”), comprised of the
3 following:

4 (a) General Account (“GA”), Account No. XXXX17292, where cash is generally
5 concentrated, and is used (in conjunction with other Bank Accounts) for incoming daily
6 receipts, and to make certain electronic and other disbursements in the ordinary course of
7 the Debtor’s business, including payroll funding and payments to creditors;

8 (b) Merchant Account, Account No. XXXX26293, which receives deposits (including
9 cash, ACH payments, credit and debit cards) from vendors, corporate customers and shop
10 sales, and other non-driver parties, which are used to fund the GA;

11 (c) Prepaid Account, Account No. XXXX92017, which is used to receive drivers’ credit
12 card and debit card payments processed by YCS, and pay the net amounts (after deducting
13 leasing and other operational expenses owed to the Debtor) to drivers;

14 (d) Accident Account, Account No. XXXX36966, which is used to pay accident claims to
15 claimants and North American Risk Services & Frye Claims Consultation (claims
16 administrators), and is funded from the GA;

17 (e) Workers’ Compensation Account, Account No. XXXX98809, which is used for
18 funding and paying the Debtor’s workers’ compensation claims and York Risk Services
19 (claims administrator);

20 (f) Owners Account, Account No. XXXX26186, which is used to pay patronage
21 dividends, funded from the GA (although no such payments have been made since
22 September 15, 2015); and

23 (g) Health Savings Account, Account No. XXXX8569, for funding of employee health
24 care expenses, as required by the City and County of San Francisco.

25 28. As noted above, virtually all collections and disbursements in the course of the
26 Debtor’s business are made through the GA. This includes funding of payroll, medallion rental
27 and real estate leasing expenses, as well as automatic ACH payments to the Debtor’s primary
28 secured creditors—FRB, Ford Motor Credit Corporation and First National Bank of California.

1 29. The Debtor maintains detailed and accurate records of all disbursements and transfers
2 flowing in connection with its Cash Management System, including all checks, electronic
3 payments and debit and credit card payments. Annual audits are conducted with respect to the
4 Debtor's Cash Management System.

5 30. Cash management systems are complicated and require skill and training in their
6 use and administration. I am informed and believe that maintaining the Cash Management
7 System in its current state is crucial to the Debtor's operations in light of the significant volume
8 of transactions managed through the Cash Management System every day. The Debtor is
9 familiar with the Cash Management System which enables it to collect, disburse, reconcile,
10 control and monitor its accounts in a seamless, expedient fashion. Any disruption to the Cash
11 Management System would unnecessarily disrupt the Debtor's complex day-to-day operations
12 and thereby likely cause unnecessary harm to the estate.

13 **Credit Card Merchant Payment System**

14 31. Many of the passengers in the Debtor's taxicabs pay for their purchases with
15 various credit and debit cards, consistent with other taxicab services in San Francisco. Turning
16 away unsuspecting passengers who are unable to pay with cash would not only result in the
17 direct loss of those sales, but could also upset drivers and passengers, thereby damaging
18 goodwill. More importantly, San Francisco Municipal Transit Authority's ("SFMTA") Rules
19 and Regulations, Section 1124, Part D, requires that drivers accept credit cards as well as cash
20 for cab service. Consequently, I am informed and believe that any interruption with the Debtor's
21 ability to accept and process credit and debit card transactions, even for a minimal time, would
22 result in lost sales and diminished goodwill, as well as risking fines and/or revocation of
23 medallions by the SFMTA.

24 32. As noted above, the Debtor has an agreement with YCS (in accordance with
25 requirements established by the SFMTA) pursuant to which it maintains a system (the "Credit
26 Card Merchant Payment System") that facilitates payments by passengers with credit and debit
27 cards. In accordance with that agreement, credit and debit card transactions are processed by
28

1 YCS, who submits the appropriate funds (after deducting applicable fees and charges) which are
2 then deposited in the Debtor's Prepaid Account.

3 33. Approximately 80% of the Debtor's aggregate monthly sales transactions are made
4 via credit or debit cards. The Credit Card Merchant Payment System is critical to the Debtor's
5 ongoing business. The Debtor might be unable to find alternative merchant services similar to
6 those provided by YCS, and any loss of services from YCS would cause a deleterious lapse in
7 the Debtor's ability to accept credit and debit card payments.

8 34. The fees collected by YCS are *de minimis* in relation to the value the Credit Card
9 Merchant Payment System brings to the Debtor's overall ability to collect and process credit and
10 debit card payments. I am informed and believe that maintaining the relationship with YCS is
11 essential for the Debtor to facilitate service to its passengers, while YCS does not have any
12 significant risk of loss by continuing its services, as its costs and processing fees are deducted
13 from funds received for each transaction.

14 **Use of Business Forms.**

15 35. As part of the Debtor's ordinary business, including the complex cash
16 management and credit-card merchant programs described above, the Debtor uses a range of
17 business forms, including letterheads, purchase orders, invoices, and checks (collectively, the
18 "Business Forms"), without reference to its debtor-in-possession status. Creditors and vendors
19 doing business with the Debtor presumably will be aware, pursuant to the notice of the case
20 commencement that will be disseminated in this case, in addition to the anticipated press release
21 to be issued by the Debtor, that the Debtor has filed bankruptcy.

22 36. I am informed and believe that the Debtor must protect and preserve the goodwill
23 with its passengers and vendors by maintaining the use of the current Business Forms. In
24 addition, the Debtor already possesses a stock supply of Business Forms which do not state that
25 it is a debtor-in-possession. Revising the Debtor's existing Business Forms would create an
26 unnecessary and expensive burden to the estate. Moreover, I am informed and believe that the
27 time and expense for such revisions would be disruptive to the Debtor's business operations and
28 would not confer any benefit on those dealing with the company.

1 **D. MOTION FOR ORDER: (I) PROHIBITING UTILITIES FROM**
2 **ALTERING, REFUSING, OR DISCONTINUING SERVICE; (II)**
3 **DEEMING UTILITIES ADEQUATELY ASSURED OF PAYMENT; AND**
4 **(III) ESTABLISHING PROCEDURES FOR DETERMINING REQUESTS**
5 **FOR ADDITIONAL ADEQUATE ASSURANCE OF PAYMENT**

6 37. In connection with the operation of its business, the Debtor obtains electricity, gas,
7 telephone, internet, garbage collection and similar services (collective, the “Utility Services”) from
8 various different utility companies and telecommunication vendors (collectively, the “Utility
9 Companies”). Attached as Exhibit 1 to the First Day Motion re Continued Utility Service is a list
10 of all of the Utility Companies that provide Utility Services to the Debtor as of the Petition Date.

11 38. If the Utility Companies are permitted to terminate Utility Services on or after the
12 30th day following the Petition Date, I am informed and believe that there is a risk that the Debtor
13 would be forced to cease operation of its facilities, resulting in a substantial loss of revenues that
14 will irreparably harm the Debtor’s business. I am informed and believe that cessation of key
15 utility services would directly impact the Debtor’s ability to provide services to its customers, and
16 would jeopardize the Debtor’s restructuring efforts. Thus, in my opinion, it is critical that Utility
17 Services continue uninterrupted.

18 39. The Debtor has an excellent record prior to filing its petition in this case of prompt
19 and regular payment for Utility Services rendered by the Utility Companies, and the Debtor is
20 unaware of any defaults or arrearages with respect to Utility Services, other than payment
21 interruptions caused by the preparation for and filing of Debtor’s bankruptcy petition.

22 40. I am informed and believe that the Debtor has sufficient cash resources to meet its
23 post-petition obligations in the ordinary course of business, including payments to the Utility
24 Companies as they become due.⁶

25 41. As set forth in the First Day Motion re Continued Utility Service, the Debtor
26 proposes to furnish any Utility Company, upon written request, a cash deposit in an amount equal
27 to one (1) month’s utility payment, based on historical averages during the six month period
28 immediately preceding the Petition Date (each, an “Adequate Assurance Deposit”) to the

⁶ As discussed above, the Debtor’s First Day Motion for use of cash collateral includes a budget and cash flow forecast reflecting ongoing payment of operating expenses, including for utility services.

1 requesting Utility Company as reflected on Exhibit 1 to the Motion.

2 42. I am informed and believe that the Debtor's record of prompt payment for Utility
3 Services prior to the Petition Date, its ability to make future payments for Utility Services in the
4 ordinary course of business as they come due, and its offer to make Adequate Assurance Deposits
5 upon written request by any Utility Company provide and constitute sufficient adequate assurance
6 to the Utility Companies.

7 43. If, however, any Utility Company believes additional assurance is required, it may
8 request such additional adequate assurance pursuant to the Adequate Assurance Procedures set
9 forth in the First Day Motion re Continued Utility Service. .

10 E. **MOTION OF THE DEBTOR FOR AUTHORITY TO (I) PAY**
11 **PREPETITION PERSONNEL WAGES, SALARIES, AND OTHER**
12 **COMPENSATION; (II) REIMBURSE PREPETITION PERSONNEL**
13 **BUSINESS EXPENSES; (III) MAKE PAYMENTS FOR WHICH**
14 **PREPETITION PAYROLL DEDUCTIONS WERE MADE; (IV)**
15 **CONTRIBUTE TO PREPETITION PERSONNEL BENEFIT PROGRAMS**
16 **AND CONTINUE SUCH PROGRAMS IN THE ORDINARY COURSE OF**
17 **BUSINESS; (V) PAY WORKERS' COMPENSATION OBLIGATIONS;**
18 **AND (VI) PAY ALL COSTS AND EXPENSES INCIDENT TO THE**
19 **FOREGOING PAYMENTS AND CONTRIBUTIONS**

20 **Prepetition Personnel Obligations**

21 **Wages, Salaries, and Other Compensation**

22 44. Of the Debtor's approximately 90 Personnel, approximately 80 are hourly
23 Personnel and 10 are salaried Personnel. In addition, the Debtor also retains the services of
24 approximately 1,100 independent contractors (the "Independent Contractors"), individuals who
25 provide their services to the Debtor for limited engagements, generally driving taxicabs with the
26 Debtor's "flags" (*i.e.*, "Yellow Cabs.") The Debtor's average aggregate monthly compensation to
27 Personnel for wages and salaries ("Personnel Wages") is approximately \$310,000, exclusive of the
28 deductions and exclusions detailed below. The Debtor's payroll is funded through direct deposit
and paper check. The Debtor's hourly and salaried Personnel are each paid on a weekly schedule,
with payments on Wednesday for services provided during the prior week (12:00am Sunday
through 11:59pm Saturday). The Debtor typically pays Independent Contractors the fares
collected on their behalf as service provider within 24 hours after their driving shift.

45. Payroll for Personnel is paid from the Debtor's account with FRB, which is funded two days before the Personnel are paid.

46. Due to the timing of this Chapter 11 Case, some Personnel have not received compensation for time worked prior to the Petition Date. Moreover, some payroll checks issued to Personnel prior to the Petition Date may not have been presented for payment or cleared the banking system prior to the Petition Date and, accordingly, may not have been honored and paid as of the Petition Date.⁷

47. The Debtor estimates that the aggregate amount of accrued prepetition wages, salaries, and other cash compensation that remains unpaid to the Personnel as of the Petition Date is approximately \$72,000 (the "Unpaid Personnel Compensation"). The Debtor believes that no Personnel is individually owed more than \$11,725, which I understand is the priority amount for prepetition compensation under Section 507(a)(4) of the Bankruptcy Code (the "Prepetition Compensation Cap").

Reimbursement of Prepetition Personnel Business Expenses

48. In the ordinary course of business the Debtor reimburses Personnel for certain expenses incurred in the scope of their employment on the Debtor's behalf (the "Reimbursable Expenses"). Personnel must request reimbursement within 30 days of incurring expenses, and the Debtor generally reimburses the Reimbursable Expenses of Personnel within five days after verifying the receipts for such expenses. The Debtor estimates that, as of the Petition Date, approximately \$1,000 of Reimbursable Expenses will be unpaid.⁸

Prepetition Deductions and Withholdings

49. During each applicable pay period, the Debtor routinely deducts certain amounts from the paychecks of Personnel (collectively, the "Deductions"), including, without limitation: (i) garnishments for child support and similar deductions required by law; (ii) contributions to health and dental plans, (iii) union dues, and (iv) contributions to 401(k) and certain other benefit plans

⁷ Additionally, some discrepancies may exist between the amounts actually paid and amounts Personnel believe they should have been paid, which, upon resolution, may reveal that additional amounts are owed to such Personnel.

⁸ There is no practical way for the Debtor to determine the actual amount of prepetition Reimbursable Expenses. A Reimbursable Expense is paid by the Debtor only after Personnel submits appropriate paperwork for reimbursement.

1 and other miscellaneous deductions discussed herein. The Deductions total approximately
2 \$24,372 in the aggregate per month.

3 50. The Debtor also is required by law to (i) withhold from Personnel's wages
4 amounts related to, among other things, federal, state, and local income taxes, social security,
5 and Medicare taxes, (collectively, the "Withheld Amounts") for remittance to the appropriate
6 taxing authorities and (ii) make correlated payments for social security and Medicare taxes and
7 pay additional amounts, based upon a percentage of gross payroll, for state and federal
8 unemployment insurance (together with the Withheld Amounts, the "Payroll Taxes"). In the
9 aggregate, the Debtor withholds and pays approximately \$79,762 per month on account of
10 Payroll Taxes.

11 51. The Debtor estimates that, as of the Petition Date, approximately \$18,500 in
12 Deductions and Payroll Taxes (collectively, "Withholding Obligations") are outstanding with
13 respect to Unpaid Personnel Compensation.

14 **Independent Contractors**

15 52. The Debtor estimates that, as of the Petition Date, approximately \$50,000
16 attributable to pre-petition services remains outstanding to the Independent Contractors (the
17 "Unpaid Contractor Obligations" and together with the Unpaid Personnel Compensation, the
18 Deductions, and the Payroll Taxes, the "Unpaid Compensation").⁹ The Debtor believes that no
19 Independent Contractor is individually owed more than the Prepetition Compensation Cap.

20 **Prepetition Personnel Benefits**

21 53. The Debtor also offers or provides eligible Personnel (and their dependents) with a
22 variety of benefits. These benefits include, but are not limited to: (i) healthcare, dental, and other
23 related coverage; (ii) certain vacation and sick leave benefits; (iii) pension and 401(k) plans in
24 which eligible Personnel can participate; (iv) COBRA medical coverage; and (v) other
25 miscellaneous benefits described in greater detail below (all such benefits described in this
26 Section E, collectively, the "Personnel Benefits"). The Debtor believes that as of the Petition
27

28 ⁹ This amount represents the net receipts collected on behalf of the Independent Contractors, after deducting
associated amounts owed to the Debtor (e.g., related leasing and other operational expenses).

1 Date, the total amount owed or accrued in connection with the Personnel Benefits due to
2 Personnel is approximately \$161,488 for an average of approximately \$1,794 per person.¹⁰

3 **Medical Dental, and Other Plans**

4 54. The Debtor offer coverage to eligible Personnel (and their dependents) for
5 medical, dental and other related benefits (collectively, the "Health Care Benefits").

6 55. The Debtor's medical plan providers are Bay Area Automotive Group Welfare
7 Fund ("BAAGWF"), Automotive Industries Trust Funds ("AITF"), Chinese Community Health
8 Plan ("CCHP") and Kaiser Permanente ("Kaiser"). There are 51 Personnel currently enrolled in
9 the Medical Plans, 9 with BAAGWF (for union Personnel), 25 with AITF (for union Personnel),
10 6 with CCHP (for non-union Personnel) and 11 with Kaiser (for non-union Personnel).

11 56. The Debtor generally pays 100% of the Medical Plan costs for union Personnel,
12 and 80% of the Medical Plan costs for non-union Personnel, by making a monthly transfer of
13 approximately \$54,843. The Debtor estimates that the aggregate amount due and owing on
14 account of the Medical Plans as of the Petition Date is approximately \$33,539.

15 57. The Debtor offers to eligible Personnel who select certain Medical Plans the ability
16 to contribute to a Health Savings Account ("HSA"). An HSA is a tax-advantaged personal savings
17 account that works in conjunction with a high-deductible health plan, as it allows participants to
18 contribute funds on a pre-tax or tax-deductible basis, which a participant may use to pay for
19 eligible medical expenses. Participants may contribute up to \$3,350 for individuals and \$6,750 for
20 families per year. Although no Personnel are currently utilizing an HSA, the Debtor is holding
21 approximately \$4,439 in HSA funds from prior employee deductions. The Debtor's HSA
22 program is administered by Stratton Agency. The Debtor estimates that the aggregate amount due
23 and owing on account of the HSA program as of the Petition Date is approximately \$0.

24 58. The Debtor's dental plan for Personnel (the "Dental Plan") is provided by Metlife
25 Group Benefits. There are approximately 3 Personnel currently enrolled in the Dental Plan. The
26 monthly cost of the Dental Plan is approximately \$1,103, with the Debtor paying \$0 and
27 Personnel paying \$1,103. As of the Petition Date, the Debtor estimates that the aggregate amount

28 ¹⁰ This estimate excludes any accrued but unused vacation time, sick days, or personal days.

1 due and owing on account of the Dental Plan as of the Petition Date is approximately \$0.

2 **Paid Time Off Benefits**

3 59. The Debtor provide Personnel with vacation and sick leave benefits (collectively
4 the “PTO Benefits”), which accrue in accordance with the below chart:

5

6 YEARS OF ELIGIBLE SERVICE	PTO HOURS PER YEAR	MAXIMUM ACCRUAL
7 1 st year	40	40
8 2 nd -4 th year	80	120
9 5 th + years	120	180
10 15 th + years	160	240

11 In addition, pursuant to San Francisco law, Personnel accrue one hour of sick time for each 30
12 hours worked, up to a maximum accrual of 72 hours.

13 60. Personnel are not entitled to a cash payout for accrued and unused PTO Benefits
14 unless their employment terminates.

15 **Pension and 401(k) Plans**

16 61. The Debtor’s pension plans (collectively, the “Pension Plans”) are maintained for
17 the benefit of eligible union Personnel after completion of 90 days of service. The Debtor funds
18 contributions to the Pension Plans aggregating approximately \$8,823 per month. As of the
19 Petition Date, approximately 34 Personnel participate in the Pension Plans. The Pension Plans are
20 held in custody and administered by Western Conference of Teamsters Pension Trust Funds and
21 AITF on behalf of the Debtor. The Debtor pays administrative/investment advisory fees of
22 approximately \$5,986 per month with respect to the Pension Plans. The Debtor estimates that the
23 aggregate amount due and owing on account of the Pension Plans as of the Petition Date is
24 approximately \$8,823.

25 62. The Debtor maintains two 401(k) plans (the “401(k) Plans”) for the benefit of
26 eligible Personnel after completion of one year of service, which generally allow participants to
27 make automatic pre-tax salary deductions of eligible compensation up to the limits set by the
28

1 Internal Revenue Code: (i) a 401(k) Plan for union Personnel held in custody and administered by
2 California Machinists on behalf of the Debtor, as to which the Debtor makes matching
3 contributions (which amount to approximately \$5,477 per month); and (ii) a 401(k) Plan for non-
4 union Personnel held in custody and administered by Wespac on behalf of the Debtor, as to which
5 the Debtor does not make matching contributions. As of the Petition Date, approximately 53
6 Personnel participate in the 401(k) Plans, including 34 in the California Machinists 401(k) Plan
7 and 19 in the Wespac 401(k) Plan. Deductions from each participating Personnel's salary are
8 transferred by wire to California Machinists and Wespac on a monthly basis to be credited to such
9 Personnel's 401(k) accounts. The Debtor estimates that the accrued amount of its matching
10 contribution to be funded to California Machinists totals approximately \$1,838 as of the Petition
11 Date.

12 **COBRA Coverage**

13 63. Former Personnel are entitled to continue to participate in the Debtor's Health Care
14 Benefits pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1986 (as amended,
15 "COBRA") for up to 18 months (such coverage, the "COBRA Coverage"). As of the Petition Date,
16 the Debtor estimates that approximately 2 former Personnel are either currently on or eligible to
17 elect COBRA Coverage. Former Personnel who elect to exercise their rights under COBRA must
18 pay 102% of the premiums for COBRA Coverage. Kaiser administers the Debtor's COBRA
19 enrollment. The Debtor estimates that, as of the Petition Date, it owed approximately \$0 for
20 COBRA coverage.

21 64. I am informed and believe that failure to comply with the requirements of COBRA
22 can subject the Debtor to penalties of up to \$110 per day per qualified beneficiary (with a
23 minimum penalty of \$15,000 for more than *de minimis* violations), actions by the Department of
24 Labor, and civil lawsuits by former Personnel to recover their benefits. *See, e.g.*, 29 C.F.R. §
25 2575.502c-6.

26 **Long Term Disability Insurance Coverage**

27 65. The Debtor provide long-term disability coverage (the "Disability Coverage") to
28 eligible salaried Personnel through Metropolitan Life Insurance Company ("MetLife"). The

1 Debtor covers the full cost of the Disability Coverage by making monthly premium payments of
2 approximately \$288 to MetLife. Approximately 10 Personnel receive Disability Coverage. As of
3 the Petition Date, the Debtor estimates it owes approximately \$288 in unpaid amounts to MetLife
4 related to Disability Coverage.

5 **Workers Compensation Coverage**

6 66. In accordance with California law, the Debtor maintain a workers' compensation
7 program to provide their Personnel with compensation for injuries arising from or related to their
8 employment with the Debtor (the "Workers' Compensation Program"). The Debtor's Worker's
9 Compensation Program is self-insured, with the Debtor depositing approximately \$50,000 to
10 \$60,000 monthly into a segregated account for such purpose. As of the Petition Date, the Debtor
11 estimates it currently owes approximately \$117,000 on outstanding Workers' Compensation
12 Program claims, based on funding requests from the Workers' Compensation Program
13 administrator.

14 **Third Party Administrative Costs**

15 67. As is customary in the case of most large companies, in the ordinary course of
16 business the Debtor utilizes the services of numerous third-party administrators to whom the
17 Debtor outsources tasks associated with the payment of compensation and benefits to Personnel.
18 Those administrative services include (a) administering or assisting in the administration of the
19 Debtor's payroll processes, benefit plans, and workers' compensation obligations; (b) facilitating
20 the administration and maintenance of its books and records; (c) assisting with legal compliance
21 issues; and (d) conducting special administrative and legal compliance projects in respect of
22 Personnel benefit plans and programs (the costs associated therewith, the "Third-Party
23 Administrative Costs," and together with the Reimbursable Expenses, Unpaid Compensation and
24 the Personnel Benefits, the "Personnel Wages and Benefits"). The ordinary course services
25 provided by these third-parties ensure that the Debtor's obligations with respect to Personnel
26 continue to be administered in the most cost-efficient manner and comply with all applicable
27 laws.

28 68. The Debtor's workforce is in many ways one of its key assets--but it is one that

1 can walk out the door any day with no obligation to return. I am informed and believe that
2 keeping the Debtor's workforce intact is crucial to preserving the Debtor's going concern value. I
3 am informed and believe that it is essential that the Debtor continue to honor its Personnel Wages
4 and Benefits obligations to ensure the continued operation of the Debtor's business and to
5 maintain the morale of the Personnel and Independent Contractors. Absent the requested relief,
6 many Personnel and Independent Contractors may be unable to meet personal obligations, or may
7 seek alternative employment opportunities, perhaps with the Debtor's competitors (particularly
8 Independent Contractors who can alternatively provide services to ride sharing companies such as
9 Uber and Lyft). An material depletion of the Debtor's workforce would hinder its ability to
10 provide service to clients and diminish the Debtor's prospects for a successful reorganization.

11 **F. MOTION FOR ORDER AUTHORIZING DEBTOR TO CONTINUE PRE-**
12 **PETITION AFFILIATE (DRIVER) DEPOSIT PRACTICES**

13 69. Yellow Cab holds certain "Vehicle for Hire Permits" issued by the San Francisco
14 Municipal Transportation Agency ("SFMTA"), which authorize the operation of motor vehicles
15 for hire on the public streets of San Francisco. Yellow Cab also possesses a taxicab "color
16 scheme" approved by the SFMTA and is authorized to operate a taxicab radio dispatch service in
17 the City and County of San Francisco.

18 70. Pursuant to the Color Scheme Affiliation Agreement between Yellow Cab and
19 each of its affiliate drivers (collectively, "Operators") of taxicabs with the Debtor's "color
20 scheme" (the "Affiliation Agreement") (copy attached as Exhibit 1 to the First Day Motion re
21 Affiliate (Driver) Deposit Practices), the Operators are authorized to use their respective vehicles
22 under Yellow Cab's color scheme pursuant to specified terms and conditions.

23 71. The Affiliation Agreements require Yellow Cab to provide certain equipment
24 (collectively, the "Equipment") for the Operators' use, subject to a \$2,000 security deposit
25 provided by each Operator (collectively, the "Security Deposits"). Specifically, Section C.2. of
26 the Affiliation Agreement states: "Operator shall pay to Yellow Cab a security deposit in the
27 amount of \$2,000.00 for each communications link (which includes a radio, meter, mobile data
28 terminal or other devices provided by company) provided pursuant to this Agreement and any

1 other charges accrued pursuant to this Agreement.” Section C.3. provides: “Operator agrees to
2 pay all costs and other charges for any damage or repair to the communications link equipment
3 installed in the Vehicle(s) pursuant to this Agreement, reasonable wear and tear accepted.”

4 72. Section D.4 of the Affiliation Agreement provides for the Operators to return the
5 Equipment upon termination (“On termination of this Agreement for any reason, Operator shall
6 immediately return or otherwise arrange for the return of any and all leased taxicab Medallions
7 and any equipment supplied by Yellow Cab including but not limited to Vehicle(s) pursuant to
8 this Agreement”), with the Security Deposit, less the applicable cost of any missing or damaged
9 Equipment, returned to the Operator.

10 73. As of the Petition Date, the Debtor was accountable for Security Deposits
11 aggregating approximately \$290,000. Historically, the monthly deposits collected by and
12 returned by the Debtor have each recently averaged approximately \$2,000 monthly. Such funds
13 are deposited (on a non-segregated basis) in and disbursed from the Debtor’s general operating
14 account with First Republic Bank (Account Number XXXX17292).

15 74. Drivers of taxicabs with the Debtor’s color scheme also are in many ways one of
16 the Debtor’s key assets--but one that also can “walk out the door” any day with no obligation to
17 return. I am informed and believe that keeping the force of Operators intact is crucial to
18 preserving the Debtor’s going concern value. However, absent the requested relief, many current
19 or prospective Operators may seek alternative employment opportunities, perhaps with the
20 Debtor’s competitors (e.g., by providing services to ride sharing companies such as Uber and
21 Lyft). I am informed and believe that it is thus essential that the Debtor continue to honor its
22 Deposit Practices to ensure the continued operation of the Debtor’s business.

23 75. I am informed and believe that Operators are generally not familiar with the effects
24 of a bankruptcy filing, and might fear that the Debtor’s continued operations are in jeopardy.
25 This fear would be compounded if the Debtor did not return Operators’ Security Deposits (after
26 deducting costs of lost or damaged Equipment) upon termination, on the legally technical grounds
27 that these constitute prepetition liabilities that may only be addressed by the filing of proofs of
28 claim in the Chapter 11 Case. Further, fearing that their Security Deposits will not be returned

1 due to the Debtor's financial difficulties, some Operators have withheld payments owed to the
2 Debtor, thereby depriving the estate of critical revenue.

3 76. Moreover, if the Debtor failed to fully and timely comply with its Deposit
4 Practices, then prospective Operators may be reluctant to do business with the Debtor. Even
5 though I understand that the Debtor's ability to perform postpetition obligations of this type
6 would not be restricted or prohibited by its bankruptcy filing, prospective Operators may interpret
7 the Debtor's failure to honor its Deposit Practices pursuant to prepetition Affiliation Agreements
8 as an indication that the Debtor's postpetition performance is also at risk, thereby deterring them
9 from becoming Operators.

10 77. Therefore, I am informed and believe that the Operators must be reassured that the
11 Debtor will honor its Deposit Practices under the Affiliation Agreements, as any depletion of the
12 Debtor's stable of Operators would hinder its ability to provide service to clients and diminish its
13 prospects for a successful reorganization.

14
15 **G. MOTION FOR ORDER AUTHORIZING DEBTOR TO REMIT AND PAY**
16 **CERTAIN PREPETITION TAXES**

17 78. In the ordinary course of business, the Debtor incurs a variety of taxes and fees
18 payable to various federal, state, and local government authorities and other parties (collectively,
19 the "Governmental Authorities"). In the ordinary course of its business, taxes are remitted by the
20 Debtor through checks and electronic transfers that are processed through its bank and other
21 financial institutions (collectively, the "Banks"). The taxes and fees (collectively, the "Taxes")
22 include: (a) sales and use taxes paid to the California State Board of Equalization, primarily in
23 connection with the sale of auto parts (the "Sales Taxes"); (b) payroll taxes paid to the County of
24 San Francisco (the "Payroll Taxes"); (c) parking taxes paid to the City of San Francisco (the
25 "Parking Taxes"); (d) annual airport inspection fees paid to San Francisco Airport Inspection (the
26 "Airport Fees"); (e) vehicle registration fees paid to the California Department of Motor Vehicles
27 ("DMV Fees") and (f) annual device fees paid to the City and County of San Francisco
28 Department of Public Health with respect to taxi meters in each cab (the "Device Fees"). In the
aggregate, the Debtor estimates that approximately \$141,321 in Taxes is owed for the period prior

1 to the Petition Date as follows:

2 Sales Taxes: \$3,500.00

3 Payroll Taxes: \$11,000

4 Parking Taxes: \$2,500

5 Airport Fees: \$16,000

6 DMV Fees: \$36,024

7 Device Fees: \$72,297

8 Total: \$141,321

9 79. I am informed and believe that the Debtor needs to pay the Taxes in order to
10 preserve and sustain its ongoing business operations. The failure to pay certain of the Taxes may
11 adversely affect the Debtor's ability to maintain its good standing to operate in the jurisdiction in
12 which it does business, to conduct business in that jurisdiction, and to administer its estate for the
13 benefit of its creditors. I am informed and believe that any regulatory dispute or delinquency that
14 impacts the Debtor's ability to conduct business could have a wide-ranging and adverse effect on
15 the Debtor's operations as a whole. Specifically, the Debtor's failure to remit the Taxes could
16 adversely affect the Debtor's business operations because, among other things (a) the Taxing
17 Authorities could initiate audits of the Debtor or prevent the Debtor from continuing its business
18 and administering its estate, which, even if unsuccessful, would unnecessarily divert the Debtor's
19 attention from the process of maximizing the value of its estate; (b) the Taxing Authorities could
20 attempt to suspend the Debtor's operations, file liens, seek to lift the automatic stay and pursue
21 other remedies that will harm the estate; (c) some of the Taxing Authorities may seek to collect
22 penalties, cancel licenses, or undertake other unfavorable enforcement actions if the Debtor does
23 not pay the Taxes; and (d) certain directors, officers and/or employees of the Debtor might be
24 subject to personal liability, which, in addition to giving rise to potential indemnity obligations
25 owed by Debtor would distract these key personnel from their duties related to the Debtor's
26 operations.

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I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Executed on this 22nd day of January, 2016 in San Francisco, California.

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